

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 840 – Newton Track Sales Tax Rebate (LSB 3065 HV)

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Fiscal Note Version – New

Description

House File 840 provides a sales tax rebate to a newly constructed automobile racetrack in Iowa meeting specified conditions. The proposed track in Newton meets the specification of the Bill. The rebate would begin January 1, 2006, and run for ten years or until a total of \$12.5 million in sales tax has been rebated to the track.

Background

House File 840 applies only to the proposed automobile racetrack to be located in Newton. The current proposed track configuration calls for 25,000 permanent seats with the potential to expand to 80,000.

The City of Newton, through Tax Increment Financing and a Development Agreement, has committed to the following assistance to the developers:

- A grant of up to \$1.3 million for land acquisition.
- A grant of \$2.0 million for construction costs.
- Full tax abatement and rebate for five years (value of approximately \$8.0 million).
- Public infrastructure improvements estimated at \$9.3 million (sewer, roads, etc.).

The City of Newton has requested \$4.0 million in assistance from the State Community Attractions and Tourism (CAT) Fund and will apply for \$5.0 million in infrastructure assistance from the Revitalize Iowa's Sound Economy (RISE) Fund.

According to the CAT application (completed by the City of Newton), developer-paid acquisition and construction costs will total \$45.0 to \$47.2 million. The developer is borrowing \$57.0 million from private sources and will also have available the \$3.3 million in grants from the City. The developers have indicated that a \$13.0 million loan guarantee payment is part of the financing arrangement.

Fiscal Impact

The Newton racetrack will receive a maximum sales tax rebate of \$12.5 million over ten fiscal years, beginning FY 2007. The sales tax rebate will be paid from the State General Fund. Local option sales tax will not be rebated.

Sources

City of Newton

Various public documents related to Newton track proposals

Department of Economic Development

Dennis C Prouty

April 12, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
